

UNITED STATES OF AMERICA  
POSTAL REGULATORY COMMISSION  
WASHINGTON, DC 20268-0001

Before Commissioners:

Robert G. Taub, Acting Chairman;  
Tony Hammond, Vice Chairman;  
Mark Acton;  
Ruth Y. Goldway; and  
Nanci E. Langley

Competitive Product Prices  
Priority Mail Contract 41 (MC2012-39)  
Negotiated Service Agreement

Docket No. CP2012-47

ORDER APPROVING AMENDMENT TO  
PRIORITY MAIL CONTRACT 41 NEGOTIATED SERVICE AGREEMENT

(Issued April 1, 2015)

I. INTRODUCTION

The Postal Service seeks to amend a Priority Mail negotiated service agreement.<sup>1</sup> For the reasons discussed below, the Commission approves the Amendment.

---

<sup>1</sup> Notice of United States Postal Service of Amendment to Priority Mail Contract 41, with Portions Filed Under Seal, March 20, 2015 (Notice). The Amendment is an attachment to the Notice (Amendment).

In Order No. 1445, the Commission approved the Priority Mail Contract 41 negotiated service agreement (Existing Agreement).<sup>2</sup> On March 20, 2015, the Postal Service filed notice that it has agreed to the Amendment to the Existing Agreement. On March 23, 2015, the Commission issued an order reopening this docket to consider the Amendment, appointing a Public Representative, and providing interested persons with an opportunity to comment.<sup>3</sup>

The Postal Service intends for the Amendment to become effective one business day after the date that the Commission completes its review of the Notice. Notice at 1. The Postal Service asserts that the Amendment will not impair the cost coverage of the contract. *Id.*

## II. COMMENTS

Comments were filed by the Public Representative.<sup>4</sup> No other person submitted comments. The Public Representative reviewed the Amendment and the Existing Agreement. PR Comments at 2. Based on that review, he concludes that the Amendment will not have a material effect on cost coverage of the Existing Agreement. *Id.* He notes that if the Postal Service does not seek a price increase or proposes a price decrease, the cost coverage for the contract will decline, assuming costs rise over the contract's term. *Id.* However, he considers this concern mitigated by the fact that the Postal Service must file revenue and cost data in future Annual Compliance Reports. *Id.* He also states that the Commission has an opportunity to conduct a review in its Annual Compliance Determination. *Id.*

---

<sup>2</sup> See Docket Nos. MC2012-39 and CP2012-47, Order Adding Priority Mail Contract 41 to the Competitive Product List, August 20, 2012 (Order No. 1445).

<sup>3</sup> Order No. 2409, Notice and Order Concerning Amendment to a Priority Mail Negotiated Service Agreement, March 23, 2015.

<sup>4</sup> Public Representative Comments on Postal Service Notice of Amendment to Priority Mail Contract 41, March 30, 2015 (PR Comments).

### III. COMMISSION ANALYSIS

The Commission has reviewed the Notice, the accompanying materials filed under seal, and the comments filed by the Public Representative.

*Cost considerations.* The Commission reviews competitive product prices to ensure that each product covers its attributable costs, does not cause market dominant products to subsidize competitive products, and contributes to the Postal Service's institutional costs. 39 U.S.C. § 3633(a); 39 C.F.R. §§ 3015.5 and 3015.7. As long as the revenue generated by the product exceeds its attributable costs, the product is unlikely to reduce the contribution of competitive products as a whole or to adversely affect the ability of competitive products as a whole to contribute an appropriate share of institutional costs. In other words, if a product covers its attributable costs, it is likely to comply with 39 U.S.C. § 3633(a).

The Amendment addresses price changes and extends the contract expiration date to five years from the initial effective date of the Existing Agreement. Notice, Attachment A at 1. The Amendment provides that the customized prices for the third, fourth and fifth years of the contract will be the previous year's prices plus the most recent average increase in prices of general applicability for Priority Mail Commercial Plus, as calculated by the Postal Service. *Id.* For this reason, the ability of revenue to exceed attributable costs should not be hindered by the Amendment. Thus, the Commission finds that the Existing Agreement, as amended, comports with the provisions applicable to rates for competitive products in 39 U.S.C. § 3633(a) and 39 C.F.R. § 3015.7. The Commission will also review the contract's cost coverage in the Commission's Annual Compliance Determination to ensure that rates continue to cover costs.

*Other considerations.* The Postal Service states that the Amendment shall become effective on the day after the date that the Commission completes its review. The Existing Agreement, as amended, is set to expire five years after the initial effective

date unless, among other things, either party terminates the contract with 30 days' written notice to the other party or it is renewed by mutual agreement.<sup>5</sup>

If the Existing Agreement, as amended, is terminated prior to the scheduled expiration date, the Postal Service shall promptly notify the Commission.

Within 30 days of the termination of the Existing Agreement, as amended, the Postal Service shall file the annual (contract year) costs, volumes, and revenues, disaggregated by weight and zone associated with the amended agreement.

In conclusion, the Commission approves the Existing Agreement, as amended.

#### IV. ORDERING PARAGRAPHS

*It is ordered:*

1. The Commission approves the Priority Mail Contract 41 negotiated service agreement, as amended.
2. The Postal Service shall notify the Commission if the Existing Agreement, as amended, terminates prior to the scheduled expiration date.
3. Within 30 days after the Existing Agreement, as amended, terminates, the Postal Service shall file the annual (contract year) costs, volumes, and revenues, disaggregated by weight and zone associated with the contract.

By the Commission.

Shoshana M. Grove  
Secretary

---

<sup>5</sup> *Id.* Should both parties agree to renew the agreement, any such renewal is required to follow the requirements of 39 U.S.C. § 3633 and the Commission's implementing regulations of 39 C.F.R. part 3015.